

City of Auburn

Quarterly Investment Report



December 31, 2016

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As of December 31, 2016

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This report presents the City's investment portfolio for the quarter ending December 31, 2016. The report includes all investments managed by the City and on behalf of the City by fiscal agents. The report provides information on the investment type, issuer, purchase date, maturity date, cost, par value, and market value for each security, where available. This report also provides the portfolio yield based on cost and the weighted average days to maturity.

It is the policy of the City to invest public funds in a manner to meet the City objectives, in order of priority, safety of invested funds, maintenance of sufficient liquidity to meet cash flow needs; and attainment of maximum yield possible consistent with the first two objectives, while conforming to the provisions of the California Government Code Section 53600 et seq., the City of Auburn Municipal Code and Investment Policy.

The City follows the practice of pooling cash and investments for all funds. It is common for governments, and is provided for in the City's Investment Policy, to pool cash and investments of various funds to improve investment performance. By pooling funds, the city is able to benefit from economies of scale, diversification, liquidity, and ease of administration.

Short-term cash is primarily invested in the Placer County Investment Pool administered by the Treasurer of the County of Placer.

All investments of the City are held in a safekeeping account by the City's custodial bank or by a third party bank trust department, acting as agent for the City under the terms of a custody agreement or master repurchase agreement. Wells Fargo, the City's custodial bank, provides the City, on a monthly basis, the valuation of all held securities to help the City determine the current market value. In some cases, the market value may be greater than or less than the recorded value. These changes in valuation have no effect on the City's effective yield, since the securities are intended to be held to maturity. These changes will impact the total value of the portfolio, and are required to be reported in accordance with generally accepted accounting principles.

The City investment objectives are governed by State law and by the City's adopted Investment Policy. This report provides information regarding the City's investments and investment return in accordance with the Investment Policy.

The following confirmations are made pursuant to California Code Section 53600 et seq.: (1) the City's portfolio as of December 31, 2016 is in compliance with the City's Statement of Investment Policy; and (2) there are sufficient funds available to meet the City's expenditure requirements for the next six months.

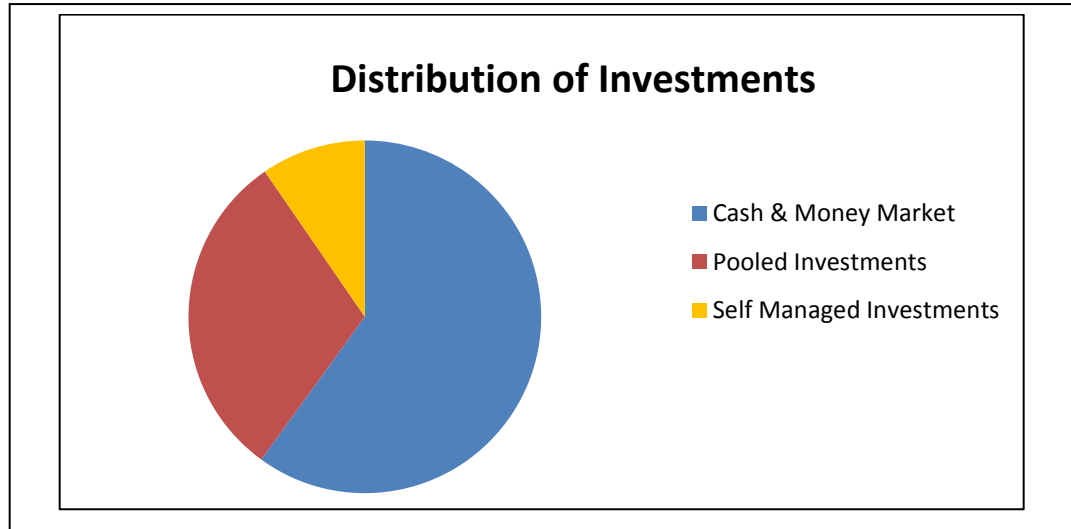
Attached is the quarterly Treasurer's Report for the three months ended December 31, 2017.

At September 30, 2016, the end of the previous quarter, the value of the City's total portfolio was \$11.3 million. Since that time, the value of the District's portfolio decreased by \$3.4 million for an ending balance of \$7.88 million as of December 31, 2016. Cash and money market funds decreased by \$2.4 million, pooled investments increased by \$7,600 and self-managed investments increased by \$1 million. The funds are currently held as follows:

Cash at Banking Institutions	\$	4,727,323
Local Agency Investment Fund (LAIF)		2,396,139
PFM Managed Investment Portfolio		<u>756,150</u>
	\$	7,879,612

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The portfolio is currently concentrated in checking and money market accounts, with a significant portion also held in the Placer County Investment Portfolio. The City should evaluate its short term cash flow needs and consider moving idle funds into either the Placer County Investment Pool, LAIF, or into some other type of actively managed portfolio.

The City should also consider establishing an investment performance benchmark against which it can compare the overall portfolio performance.

As your newly elected City Treasurer, I look forward to discussing these opportunities with both the Finance Director and the recently hired City Manager.

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Treasurer's Report December 31, 2016

	Yield %	Par Value	Cost	September 30, 2016 Market Value	Current Market Value	Maturity Date	Change
CASH & DEMAND DEPOSITS - US Bank:							
Wells Fargo - Commercial Checking		\$ 4,425,355.57		\$ 6,813,987.00	\$ 4,425,355.57	na	
Wells Fargo - Payroll Checking		\$ 263,200.30		\$ 288,351.00	\$ 263,200.30	na	
Wells Fargo - Aviation Fuel Account		\$ 8,015.83		\$ 8,015.00	\$ 8,015.83	na	
Wells Fargo - Preserve Project		\$ 16,041.34		\$ 16,041.00	\$ 16,041.34	na	
Hilltop Securities - Money Market	0.01%			\$ 14,722.00	\$ 14,710.33	na	\$(2,413,792.63)
POOLED INVESTMENTS							
Local Agency Investment Fund (LAIF)	0.719%			\$ 42,812.00	\$ 42,876.95	na	
Placer County Investment Pool	1.205%			2,345,725.00	\$ 2,353,261.59	na	\$ 7,601.54
LONG-TERM INVESTMENTS							
<i>Federal Agency Bonds/Notes:</i>							
Federal Home Loan Banks	1.10%	500,000.00	500,000.00	1,499,415.00	498,775.00	2/20/2018	
<i>Corporate Bonds:</i>							
Mnlehman Brothers HLRR	0.000%	125,000.00	73,305.11	9,063.00	7,375.00		
<i>Certificate of Deposit:</i>							
Community Bank	0.30%	250,000.00	250,000.00	250,000.00	250,000.00	10/16/2017	
TOTAL LONG TERM INVESTMENTS		\$ 875,000.00	\$ 823,305.11	\$ 1,758,478.00	\$ 756,150.00		\$(1,002,328.00)
TOTAL CASH & INVESTMENTS				\$11,288,131.00	\$ 7,879,611.91		\$(3,408,519.09)

Restricted Bond Funds Excluded from report